



Reporting Requirements

Iowa Code section 422.11L requires that the Iowa Department of Revenue (IDR) submit an annual report to the Governor and the General Assembly on or before January 1 regarding the number and value of the Solar Energy System Tax Credits claimed during the previous calendar year, and any other information IDR may deem relevant and appropriate. This report meets that requirement for 2013.

Tax Credit Eligibility

A Solar Energy System Tax Credit is available for individual and corporate income taxpayers for solar energy systems installed on property located in Iowa. The credit is nonrefundable, but any tax credit in excess of tax liability can be carried forward up to ten tax years. The credit was enacted in May 2012 but was retroactive to solar energy systems placed in service on or after January 1, 2012.

The Iowa Solar Energy System Tax Credit equals a percentage of the federal tax credits offered for solar energy systems. Federal tax credits are available for property placed in service before January 1, 2017. Therefore the Iowa tax credit will be available for tax years 2012 through 2016 under the current law. Taxpayers who claim this tax credit are not eligible to claim a Renewable Energy Tax Credit under Iowa Code Chapter 476C.

Solar Energy System Tax Credit

For individuals, the Solar Energy System Tax Credit is equal to 50 percent of the federal Residential Energy Efficient Property Tax Credit related to solar systems provided in section 25D(a)(1) of the Internal Revenue Code for solar electric property and section 25D(a)(2) of the Internal Revenue Code for solar water heating property. The federal tax credit is claimed on federal form 5695, Residential Energy Credits for individuals. The Iowa tax credit for an individual cannot exceed \$3,000.

For corporations, which also includes partnerships, limited liability companies (LLC), and S-Corporations, the Solar Energy System Tax Credit is equal to 50 percent of the federal energy credit as provided in sections 48(a)(3)(A)(i) of the Internal Revenue Code for solar electric, heating and cooling property and 48(a)(3)(A)(ii) of the Internal Revenue Code for equipment using solar energy to illuminate structures using fiber-optic distributed sunlight. The federal tax credit is claimed on federal form 3468, Investment Credit, for corporations. The Iowa tax credit for a corporation cannot exceed \$15,000.

The aggregate amount of Solar Energy System Tax Credits awarded to individuals and corporations per calendar year is capped at \$1.5 million. IDR has implemented a process for eligible taxpayers to apply for the credit after the solar energy system has been placed in service. The tax credits are reserved on a first-come, first-served basis

until the award cap is reached each year. The year of award reflects the year in which the solar energy system is installed.

If IDR receives applications for tax credit awards in excess of the \$1.5 million available in a year, the applications will be prioritized by the date received. IDR will establish a wait list for the next year's allocation of tax credit awards and the tax credits for the following year will first be awarded in the order listed on the wait list.

Receiving an Award

Taxpayers must submit an application to IDR, which is available on [IDR's website](#).

IDR awards the tax credit once the following information is provided:

- The completed application
- A copy of the invoice or other documentation showing the cost of the installed system
- A document verifying that the system qualifies for the federal tax credit
- The amount of the Iowa tax credit to be reserved

IDR sends a tax credit certificate for each approved award. The certificate includes a unique certificate number, the taxpayer's name, address, tax identification number, and the amount of the tax credit.

Summary of Solar Energy System Tax Credit Awards

The following is a summary of Solar Energy System Tax Credits awarded between the inception of the credit and December 27, 2013.

Table 1. Solar Energy System Tax Credit Awards

Tax Year	Individual			Corporate			Total	
	Number of Tax Credit Awards	Amount of Tax Credit Awards	Average Tax Credit Award	Number of Tax Credit Awards	Amount of Tax Credit Awards	Average Tax Credit Award	Number of Tax Credit Awards	Amount of Tax Credit Awards
2012	130	\$259,270	\$1,994	46	\$361,830	\$7,866	176	\$621,100
2013	167	\$368,329	\$2,206	97	\$987,830	\$10,184	264	\$1,356,159

Total awards for 2013 are \$1,356,159 through December 27, 2013. Total awards for 2012 are \$621,100, with nearly \$450,000 of those tax credits awarded during calendar year 2013. Demand for the tax credit has almost met the award cap for calendar year 2013. Due to the timing of the reporting requirement, not all applications received to-date in 2013 have been able to be processed.

The average 2012 award for an individual was \$1,994 and the average corporate award was \$7,866; the average 2013 award for an individual was \$2,206 and the average corporate award was \$10,184. As taxpayers continue to apply for the tax credit based on systems placed in service during 2013 the amounts will likely change.

Claiming the Credit

Taxpayers with tax credit certificates can claim the Solar Energy System Tax Credit using the IA 148 Tax Credits Schedule. They must include the certificate number on the form or the tax credit claim will be denied. Corporate tax credit awards received by pass-through entities or sole proprietors, such as farmers, can be claimed by the owners, partners, or shareholders on their individual income tax return. Therefore, the number and amount of claims used by individuals may be greater than the number of awards issued to individual tax credit recipients.

The tax credit is nonrefundable meaning that it can only be used to offset Iowa tax liability and that any amount in excess of tax liability cannot be refunded to the taxpayer; but the tax credit does have ten year carry forward.

Summary of Solar Energy System Tax Credit Claims

The following is a summary of Solar Energy System Tax Credits claimed for tax year 2012.

Table 2. Solar Energy System Tax Credit Claims, Tax Year 2012

Tax Type	Number of Tax Credit Claims	Total Amount of Tax Credits Applied to Tax Liability	Average Tax Credit Applied	Total Amount of Tax Credits Carried Forward	Average Tax Credit Carried Forward
Individual	227	\$386,745	\$1,774	\$217,978	\$1,038
Corporate	9	\$45,242	\$7,540	\$44,690	\$44,690
Total	236	\$431,987	\$1,830	\$262,668	\$1,113

IDR is in the process of verifying tax year 2012 claims for those taxpayers that failed to include a valid tax credit certificate number. The forty-four claims without a tax credit certificate number, with a total of \$42,499 in applied claims and \$31,280 in carry forward, are included in the numbers above. All other claims have been matched to tax credit awards.

Contact: Questions can be addressed to Victoria Daniels of the Iowa Department of Revenue at (515) 281-8450 or Victoria.Daniels@iowa.gov.